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## **Bill**

**introduced by the Members of the German Bundestag Bärbel Höhn ... and the  
ALLIANCE 90/THE GREENS parliamentary group**

### **Draft Act Setting National Climate Protection Targets and Promoting Climate Protection (Climate Protection Act)**

#### **A. Problem**

Anthropogenic climate change threatens humanity's natural resource base on a global scale. Its negative consequences are already tangible in many places today. Unrestrained global warming would have dangerous, irreversible and barely manageable impacts on humans, nature and the environment.

In order to contain the harmful consequences of climate change, the international community has set itself the target of limiting the rise in the average global temperature to a maximum of two degrees Celsius relative to the pre-industrial period. This is predicated on global emissions of greenhouse gases being at least halved by 2050. The industrialised states, which have historically been responsible for most of the greenhouse gases emitted up to the present and have the highest *per capita* emissions, will need to reduce their emissions 80-95% by 2050 if this is to be done.

This task will require a deep-seated transformation of the economy and society, policies oriented towards the long term and significant investments in climate protection in the energy supply, transport, industrial and agriculture sectors. Yet the legislation in place up until now has not offered a reliable basis for such action.

Germany has not specified any binding climate targets or a long-term emissions reduction pathway for the period after 2020. Furthermore, the target of reducing Germany's greenhouse gas emissions 40% by 2020 relative to 1990, which is supported by the German Federal Government and the German Bundestag, is only a declaration of political intent without any legal substance. The uncertain environment for planning and investment activities this has fostered is being exacerbated even more by wide fluctuations in the price of emissions certificates and constitutes a major barrier to the successful transformation of the energy system.

The 40% target has not been translated into concrete terms for the energy sector and other areas of the economy, no dedicated climate protection programme has been adopted and no action has been taken

to ensure the progress made towards the targets is reviewed systematically. Furthermore, the public sector is failing to do adequate justice to its exemplary function in the field of climate protection.

## **B. Solution**

National climate protection targets for the period to 2050 will be laid down with binding force in a Climate Protection Act. The German Federal Government will adopt sectoral climate targets and detailed climate protection programmes on the basis of the Act. The implementation of the programmes and the achievement of the climate protection targets will be reviewed regularly by the German Bundestag and an independent Climate Protection Commission. A minimum national CO<sub>2</sub> price will prevent extreme fluctuations in the price of CO<sub>2</sub>. In addition to this, the Climate Protection Act will contain standards for exemplary action on climate protection within the federal administration.

In these ways, the Climate Protection Act will ensure transparency concerning the targets and measures of climate protection policy. It will foster a secure long-term environment for the planning of investments in innovative climate protection technologies, energy efficiency and renewable energies, and so lay the foundations for the transition to a largely zero-emissions economy. And it will underline Germany's willingness to fulfil its international responsibility for climate protection.

## **C. Alternatives**

None.

## **D. Costs**

The Federation will incur costs during the implementation of climate protection measures within the federal administration and indirectly due to the financing of climate protection programmes adopted on the basis of the Act. These costs will contrast with unquantifiable improvements in the budget thanks to the positive effects of investments in climate protection on the economy and employment.

The economy will indirectly incur costs for investments in climate protection. These will contrast with the costs saved on energy and fossil fuels, and new opportunities on the market for climate protection technologies.



## **Act Setting National Climate Protection Targets and Promoting Climate Protection (Climate Protection Act – KlimaSchG)**

The Bundestag has adopted the following act:

### **Section 1 National climate protection targets**

(1) The Federal Republic of Germany's climate protection target is to reduce the total volume of domestic emissions of greenhouse gases, measured in carbon dioxide equivalent,

1. at least 40% by 2020,
2. at least 60% by 2030,
3. at least 80% by 2040 and
4. at least 95% by 2050

relative to the historical reference year 1990.

(2) An intermediate target stipulated in Annex 1 that is calculated on the basis of the targets laid down in paragraph 1, subject to the assumption of consistent annual reductions in emissions, shall apply for each calendar year as of 2015.

### **Section 2 Climate Protection Plan**

The German Federal Government shall present a Climate Protection Plan, which shall describe the measures necessary to achieve the national climate protection targets, to the Bundestag every four years, and for the first time by 1 April 2014. The Plan shall state the periods of time over which measures are intended to be implemented, which federal ministry is the lead department responsible for each measure and what reductions in greenhouse gas emissions the measures are intended to achieve by what points in time.

### **Section 3 Sectoral climate protection targets**

In the Climate Protection Plan, the German Federal Government shall adopt targets for the maximum volumes of greenhouse gas emissions in the following sectors in conformity with the national climate protection targets:

1. power generation,
2. heating and cooling,
3. transport,
4. industrial processes,
5. waste and waste water,
6. agriculture.



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The first targets shall be set for the year 2020.

### **Section 4 Further targets of significance for climate protection**

In the Climate Protection Plan, the German Federal Government shall set further targets for

1. energy saving and energy efficiency,
2. the expansion of renewable energies,
3. the share of passenger and goods traffic transported by rail and inland waterways,
4. the share of land in agricultural use cultivated using organic methods,
5. the storage of carbon in the land use, land use change and forestry sector.

### **Section 5 Assessment of greenhouse gas emissions**

The Federal Environment Agency shall have the task of determining the total annual volume of domestic emissions of greenhouse gases on a scientific basis. The Federal Environment Agency shall publish an assessment of the level of greenhouse gas emissions during the preceding year in the *Federal Gazette* by 31 May of each year, and for the first time by 31 May 2016. In the assessment, it shall assess whether the national climate protection target applicable for the year in question was achieved and by how many tonnes of carbon dioxide equivalent the target was missed or exceeded. Further to this, the Federal Environment Agency shall assess whether, and to what extent, the cumulated emissions since 2015 have exceeded the total of the permissible annual emissions (emissions budget) for this period of time provided for in Section 1.

### **Section 6 Climate Protection Report**

- (1) The German Federal Government shall inform the Bundestag and Bundesrat annually about the development of greenhouse gas emissions, its climate protection measures and their effects, and the progress made towards the targets set out in this Act in a Climate Protection Report.
- (2) In the Climate Protection Report, the German Federal Government shall also state what international commitments the Federal Republic of Germany has entered into in order to promote climate protection and what funds were made available for which projects in the preceding year in order to fulfil these commitments.

### **Section 7 Specific reporting duties**

At least once every four years, the Climate Protection Report shall contain information on



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1. the volume of greenhouse gas emissions from industry that cannot be avoided in production processes according to the state of the art of science and technology, and the German Federal Government's strategies to reduce these emissions,
2. the volume of greenhouse gas emissions that are to be expected over the long term due to the use of existing, and planned, building and transport infrastructure,
3. the scale of the industrial use of fossil raw materials and the German Federal Government's strategies to reduce their use in this sector,
4. the removal of subsidies that are harmful to the climate.

### **Section 8 Climate Protection Commission**

- (1) The German Federal Government shall appoint an independent Climate Protection Commission, which shall advise it in the performance of its functions under this Act, appraise the progress made in achieving the climate protection targets and develop recommendations concerning the improvement of climate protection policy.
- (2) The Climate Protection Commission shall consist of seven members drawn from the academic community and civil society, who shall be appointed by the German Federal Government for five years. One member each shall be appointed at the nomination of the German Advisory Council on the Environment, the German Advisory Council on Global Change and the Council for Sustainable Development.
- (3) Each year, the Climate Protection Commission shall present a report on the situation with regard to climate protection in Germany to the German Federal Government and the Bundestag. The German Federal Government shall comment on the report to the Bundestag within three months.

### **Section 9 Climate protection action programme**

- (1) Should the Federal Environment Agency find in the assessment provided for in Section 5 that the national climate protection target for the preceding year was not achieved or the emissions budget has been exceeded, the German Federal Government shall present a climate protection action programme to the Bundestag by 30 September.
- (2) As a matter of principle, the climate protection action programme must be suitable to ensure the climate protection target is fulfilled and the emissions budget is balanced in the third calendar year following the failure to meet the target, at the latest. The Climate Protection Commission shall examine the climate protection action programme to ascertain whether it is suitable for this purpose, and shall report to the German Federal Government and Bundestag before any decision is taken on the programme.
- (3) In particular, the measures provided for in the climate protection action programme may include



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1. regulatory arrangements
2. amendments to tax law, in particular energy tax law,
3. the removal of subsidies that are harmful to the environment and
4. investments in climate protection or funding programmes under the federal budget.

(4) The German Federal Government shall report on the implementation and effects of the climate protection action programme in its Climate Protection Report.

### **Section 10 Additional funds for climate protection**

Measures in the climate protection action programme that have impacts on the federal budget are to be taken into consideration in the next budgetary procedure subsequent to their adoption, at the latest. Additional funds are to be provided for such measures. The additionality of the funds shall be measured by comparison with the funds for climate protection provided for in the financial planning. The additionality of the funds shall be examined by the Climate Protection Commission.

### **Section 11 Minimum carbon dioxide price**

- (1) The consumption of emissions allowances under the Greenhouse Gas Emissions Trading Act (TEHG) shall be subject to a tax that shall become payable when the allowances are surrendered as provided for in Section 7(1) of the TEHG. The operators of installations covered by the Greenhouse Gas Emissions Trading Act shall be liable to pay this tax. The tax for the preceding calendar year (assessment period) shall be assessed annually by 30 April.
- (2) The tax rate for each allowance shall be found from the difference between the minimum CO<sub>2</sub> price and the average EEX daily reference price for an allowance during the assessment period. In 2015, the minimum CO<sub>2</sub> price shall be €15 per tonne of carbon dioxide equivalent, and it shall rise by one euro per tonne of carbon dioxide equivalent each year in the years 2016 to 2020.
- (3) Emissions allowances equivalent to the free emissions allowances that have been allocated to the party liable to pay the tax shall be exempted from the tax liability.
- (4) The party liable to pay the tax shall have until 31 March of the following year to submit a tax declaration for allowances on which the tax has become payable. The submission of the emissions report provided for in Section 5(1) of the TEHG, stating the volume of allowances for which a tax exemption is claimed under paragraph 3, shall be sufficient for this purpose. The tax that has become payable in a calendar year shall be due on 30 April of the following year.



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### **Section 12 Exemplary function of the German Federal Government and federal authorities**

- (1) The Federal Government shall have an exemplary function in taking action to achieve the climate protection targets, in particular with regard to its own facilities. The Federal Chancellery, the federal ministries and the agencies under their jurisdiction shall reduce their greenhouse gas emissions at least 60% by 2020 and at least 80% by 2030 relative to the historical reference year 1990. For this purpose, the German Federal Government shall adopt concrete reduction targets and plans of measures for the Federal Chancellery and each federal ministry.
- (2) By the end of 2015, the German Federal Government shall draw up a timetable for the energy efficient refurbishment of all the buildings and facilities currently owned by the German Federation.
- (3) At the latest in 2015, the Federal Chancellery, the federal ministries and the agencies under their jurisdiction shall meet the demand for power in their buildings with 100% power from renewable energies that is not funded through the Renewable Energy Sources Act.
- (4) As of 2015, the Federal Chancellery, the federal ministries and the agencies under their jurisdiction shall only procure official cars with CO<sub>2</sub> emissions of a maximum of 120 grams CO<sub>2</sub>/km and, as of 2020, official cars with CO<sub>2</sub> emissions of a maximum of 80 grams CO<sub>2</sub>/km. This provision shall not apply for buses, commercial vehicles or specialised vehicles.

### **Section 13 Definitions**

- (1) Greenhouse gases within the meaning of this Act are carbon dioxide (CO<sub>2</sub>), methane (CH<sub>4</sub>), nitrous oxide (N<sub>2</sub>O), chlorofluorocarbons (CFCs), perfluorinated hydrocarbons and sulphur hexafluoride (SF<sub>6</sub>).
- (2) Domestic emissions are all emissions whose sources are located in the territory of the Federal Republic of Germany, with the exception of emissions that are to be ascribed to international aviation or shipping.
- (3) Emissions from land use, land use change and forestry shall remain disregarded when the total volume of greenhouse gas emissions is calculated under this Act.
- (4) When the greenhouse gas emissions in the historical reference year 1990 are determined, the values for the year 1990 shall be used for carbon dioxide, methane and nitrous oxide, while the values for the year 1995 shall be used for the other greenhouse gases.
- (5) One tonne of carbon dioxide equivalent is one tonne of carbon dioxide or the volume of another greenhouse gas that has the same potential to heat the atmosphere as one tonne of carbon dioxide. The conversion factors for the individual greenhouse gases are specified in Annex 2.
- (6) An emissions allowance is an allowance within the meaning of Section 3, no. 3 of the Greenhouse Gas Emissions Trading Act.



**Act Setting National Climate Protection Targets and Promoting Climate Protection (Climate Protection Act – KlimaSchG)**

**Section 14 Entry into force**

This Act shall enter into force on the day following its promulgation.



## Explanatory memorandum

### A. General

This Act will specify Germany's climate protection targets with legally binding force. It will put in place the framework for transparent, systematic and internally consistent climate and energy policies. And, by providing for improved progress reviews, it will ensure that it is possible for countermeasures to be taken at an early stage if the targets have been missed.

In this way, the Climate Protection Act will ensure greater transparency. It will foster a secure long-term environment for the planning of investments in innovative climate protection technologies, energy efficiency and renewable energies. And it will underline Germany's willingness to fulfil its international responsibility for climate protection.

Anthropogenic climate change threatens humanity's natural resource base on a global scale. Its negative consequences are already tangible in many places today. Unrestrained global warming would have dangerous, irreversible and barely manageable impacts on humans, nature and the environment. The average global temperature rose by approximately 0.7 degrees Celsius between 1900 and 2005. According to the findings of climate science, which are summarised in the Fourth Assessment Report of the Intergovernmental Panel on Climate Change (IPCC), this increase in temperatures is overwhelmingly attributable to the release of greenhouse gases by humans, in particular the emission of carbon dioxide during the combustion of fossil fuels such as petroleum and natural gas.

In order to contain the harmful consequences of climate change, the international community has set itself the target of limiting the rise in the average global temperature to a maximum of two degrees Celsius relative to the pre-industrial period. This is predicated on global emissions of greenhouse gases being at least halved by 2050. The industrialised states, which have historically been responsible for most of the greenhouse gases emitted up to the present and have the highest *per capita* emissions, will need to reduce their emissions 80-95% by 2050 if this is to be done.

As an industrialised country with high historic and current greenhouse gas emissions, Germany bears a particular responsibility as far as action to combat climate change is concerned. In the light of this responsibility, Germany has entered into international commitments to reduce its greenhouse gas emissions. In the 1997 Kyoto Protocol, the industrialised countries undertook to reduce their emissions of greenhouse gases 5.2% relative to the year 1990 during the period from 2008 to 2012 on the basis of the United Nations Framework Convention on Climate Change. As part of the European Union's burden sharing agreement, Germany had committed itself to a 21% reduction in emissions by 2012. Germany will take on further commitments to reduce its emissions in the course of the second Kyoto Protocol commitment period from 2013 to 2020, upon which agreement was reached at the last UN Climate Conference in Doha in 2012.

Furthermore, Germany has now been placed under a duty to cut its greenhouse gas emissions that do not fall within the scope of emissions trading 14% by 2020 relative to 2005 on the basis of Decision No 406/2009/EC of the European Parliament and of the Council of 23 April 2009 (*OJ L*, 140, 5 June 2009, p. 136). In addition to this, in its current Energy Concept of 28 September 2010, the German Federal Government adopted climate protection targets that provide for a 40% reduction in emissions by 2020 and an 80-95% reduction by 2050.



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This task will require a deep-seated transformation of the economy and society, policies oriented towards the long term and significant investments in climate protection in the energy supply, transport, industrial and agriculture sectors. This transformation can only be successfully managed by pursuing a consistent, systematic, efficient climate protection policy. Yet the legislation in place up until now has not offered a reliable basis for such action.

Germany has not specified any binding climate targets or a long-term emissions reduction pathway for the period after 2020. The 40% target has not been translated into concrete terms for the energy sector and other areas of the economy, no dedicated climate protection programme has been adopted and no action has been taken to ensure the progress made towards the targets is reviewed systematically.

This gap will be closed with the Climate Protection Act. The Act will create clarity concerning Germany's short, medium and long-term climate protection targets and make them legally binding. It will give the country's fragmented climate protection and energy policies a structuring framework. And it will ensure the progress made is monitored continuously by the Bundestag and an independent Climate Protection Commission.

The legislative competence of the German Federation derives from Article 74(1), no. 24 of the German Basic Law (GG) and Article 105(2) in conjunction with Article 106(1), no. 2 of the Basic Law.

### **B. Detailed explanatory memorandum**

#### **Re Section 1**

Section 1 stipulates the national climate protection targets as binding standards for state action. Where climate protection issues are to be taken into consideration explicitly or in the context of public concerns when decisions are taken by the public sector, they will be formulated in concrete terms by the climate protection targets set out in this act.

#### **Re Paragraph 1**

Paragraph 1 will establish the targets for the reduction of domestic emissions of greenhouse gases in ten-year steps. The greenhouse gases to be taken into consideration are defined in Section 13(1). When the total volume is calculated, the individual greenhouse gases will be factored into the calculation in accordance with their harmfulness, expressed in carbon dioxide equivalent. Since the climate protection targets will be measured in terms of the reduction in actual domestic emissions, Germany's contributions to the reduction of greenhouse gas emissions in other states will deliberately be disregarded. It will not be possible for emissions reductions achieved by climate protection projects abroad, e.g. as part of the Clean Development Mechanism or Joint Implementation under the Kyoto Protocol, to be counted towards the national climate protection targets.



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### **Re Paragraph 2**

This paragraph determines the calculation method for the derivation of the intermediate annual targets. The stipulation of annual climate protection targets will mark out a trajectory that will give a clear sense of direction to climate protection policy and make it easier for its results to be reviewed on an ongoing basis. The emissions balances for individual years may be subject to major fluctuations as a consequence of climatic and cyclical economic influences. Nevertheless, if it were decided to forgo annual targets in favour of multiannual emissions budgets of the kind found in the British Climate Protection Act, there would be a danger of necessary climate protection efforts being deferred to the end of the budget period. In order to maintain a high degree of pressure to act, at the same time as taking account of the natural fluctuations in annual emissions, the Act will combine annual climate protection targets with a long-term budgeting approach that will result in the offsetting of years with extraordinarily high and low emissions.

### **Re Section 2**

This provision will commit the German Federal Government to present a Climate Protection Plan to the Bundestag every four years, at the latest. The Climate Protection Plan will have to set out the measures adopted by the German Federal Government to achieve the climate protection targets in concrete terms, while stating the deadlines for their implementation and the reductions in greenhouse gas emissions to which it aspires.

In accordance with the second sentence, it will have to be stipulated which ministry or ministries bear responsibility for the implementation of each measure. This arrangement will serve transparency and the scrutiny of climate protection policy. It is intended to make it easier for the German Bundestag and the public to keep track of, and assess, the contributions to climate protection made by the individual ministries.

### **Re Section 3**

This provision will commit the German Federal Government to formulate the national climate protection targets in concrete terms by setting sectoral targets. In order to permit more flexible responses to changing parameters in individual sectors, no attempt will be made to stipulate the sectoral targets in the Climate Protection Act itself. The delimitation of the sectors is based on the customary criteria for national reporting under the Kyoto Protocol.

The stipulation of sectoral targets for power generation and industrial processes is compatible with the European Emissions Trading Directive. For the Directive prescribes a binding, Europe-wide upper limit on emissions, but leaves the Member States scope for action to deliver targeted cuts to national emissions in the sectors covered by emissions trading.

### **Re Section 4**



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Section 4 will commit the German Federal Government to stipulate further climate protection-relevant targets. This is intended to enhance the coherence of climate and energy policy, and avert conflicts between different targets.

### **Re Section 5**

This provision will govern the assessment of the level of domestic greenhouse gas emissions. The assessment will create transparency and serve as a basis for the additional climate protection measures to be taken under Sections 9 and 10 if targets are missed. This function will be assigned to the Federal Environment Agency, upon which reporting on German greenhouse gas emissions under the Kyoto Protocol is already incumbent today. It is to be carried out on a scientific basis using the best data available at the time of the assessment. According to the fourth sentence, the Federal Environment Agency will also assess whether the emissions budget has been complied with.

### **Re Section 6**

This provision will commit the German Federal Government to present an annual Climate Protection Report to the Bundestag and the Bundesrat. Section 7 and Section 9(4) will establish specific reporting duties that supplement this provision.

### **Re Section 7**

This provision will describe specific reporting duties placed upon the German Federal Government in relation to the Climate Protection Report provided for by Section 6. It will require regular analyses of the specific long-term challenges of climate protection policy beyond the measures currently being taken under the climate protection programme. The four-year reporting period will make it possible to concentrate on one of the four specific reporting duties each year.

Section 7, no. 1 will demand a report on unavoidable process emissions from industry, the reduction of which will necessitate long-term research funding, resource efficiency and product substitution strategies. Section 7, no. 2 will require a report on greenhouse gas emissions induced by pieces of infrastructure with long lifetimes, for instance the additional transport emissions to be expected when new roads or airports are constructed, which should already be taken into consideration during the planning of such projects. Section 7, no. 3 will demand a report on the non-energetic, industrial use of fossil raw materials, in particular in the chemicals industry, and the strategies for the reduction of this source of greenhouse gases, e.g. by action to increase resource efficiency or the use of sustainably produced, regenerative raw materials. Section 7, no. 4 will require a report on the removal of subsidies that are harmful to the climate. It will have to cover, at the least, the forms of subsidy that are ascribed immediately damaging effects on the climate in the Federal Environment Agency's most recent report on environmentally harmful subsidies in Germany (2010).

### **Re Section 8**

#### **Paragraph 1**



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This provision will describe the functions of the independent Climate Protection Commission.

### **Re Paragraph 2**

This provision will govern the size and composition of the Climate Protection Commission, and its members' terms of office. The right to nominate members of the Commission provided for in the second sentence is intended to guarantee fruitful links between the Climate Protection Commission and the work of existing academic institutions concerned with climate protection and sustainability policy.

### **Re Paragraph 3**

This provision will commit the Climate Protection Commission to deliver a climate protection report of its own and the German Federal Government to comment on it.

## **Re Section 9**

This provision will commit the German Federal Government to present a climate protection action programme with additional measures for the reduction of greenhouse gas emissions if the national climate protection targets have been missed or the climate protection budget has been exceeded. The climate protection action programme will be implemented in parallel to the Climate Protection Plan provided for in Section 2.

### **Re Paragraph 1**

Paragraph 1 will place an obligation on the German Federal Government to put forward a climate protection action plan. It will enter into force if at least one of two conditions is fulfilled: The Federal Environment Agency ascertains that the national climate protection target was missed in the previous year (condition 1) or the emissions budget has been exceeded (condition 2).

### **Re Paragraph 2**

This provision will describe the twin goals of the climate protection action plan: Firstly, with a view to future developments, it is intended to return CO<sub>2</sub> emissions to the trajectory laid down by Section 1 in conjunction with Annex 1 by putting in place additional climate protection measures. Secondly, it is intended to offset excess emissions generated in the past when the emissions budget was exceeded by achieving additional emissions savings.

### **Re Paragraph 3**



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This provision will have a clarificatory function. It will underline that, when designing the climate protection action programme, the German Federal Government will be able to take regulatory, tax or investment measures of the most diverse kinds.

### **Re Paragraph 4**

This provision will impose a duty on the German Federal Government to report on the effectiveness of the climate protection action plan.

### **Re Section 10**

This provision will describe the budgetary effects of the climate protection action programme. It will prescribe that measures to be promoted under the climate protection action programme are to be financed with additional climate protection funds.

### **Re Section 11**

This provision will introduce a minimum CO<sub>2</sub> price. The aim of this provision is to permanently strengthen emissions trading as a central instrument of European climate protection policy. The dramatic collapse of CO<sub>2</sub> prices over the last two years has severely damaged the credibility and effectiveness of the emissions trading system.

In this respect, the introduction of the national minimum price is merely to be understood as an intermediate step towards a uniform minimum price regime in the EU, something that should be striven for as soon as possible, or a multilateral regime implemented in as many Member States as possible. The UK has already introduced its own minimum CO<sub>2</sub> price ('carbon price floor'). The Netherlands have put in place a functionally comparable regime in the form of a coal tax for the power industry. If a European solution were to be adopted, the national minimum price would no longer be required.

The function of the minimum price will be to ensure that sufficient price signals for investments in climate protection and energy efficiency are sent out by emissions trading. The CO<sub>2</sub> prices of €3-4 per tonne of CO<sub>2</sub> that are currently being quoted in the European emissions trading system do not offer a sufficient incentive to invest in climate protection technologies in order to achieve the climate protection targets set out in this Act. Furthermore, they have led to distortions in the competition between fossil and renewable energies and, in consequence, a significant rise in the EEG surcharge.

The minimum CO<sub>2</sub> price will be legally implemented by means of a tax on emissions allowances under the TEHG, which will offset the difference between the market price on the energy exchanges and the minimum price when CO<sub>2</sub> prices are low. The tax is designed as a tax on consumption that will be consequent upon the consumption of the emissions allowance as an economic good and will be levied on the economic productivity evidenced by the consumption of the good. This form of taxation is permissible under European law as a further-reaching national climate protection measure that will



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not disrupt trading in emissions allowances and will leave the upper limit for the emission of greenhouse gas emissions untouched.

### **Re Paragraph 1**

Paragraph 1 will submit emissions allowances under the Greenhouse Gas Emissions Trading Act to taxation. The tax will be consequent upon the consumption of the allowances by means of the release of greenhouse gas emissions and will become payable when the allowances are surrendered. Only operators of installations within the meaning of Section 3, no. 2 of the TEHG whose installations are covered by the Greenhouse Gas Emissions Trading Act will be liable to pay this tax.

### **Re Paragraph 2**

Paragraph 2 will specify the level of the minimum CO<sub>2</sub> price and the level of the tax rate derived from it. The minimum price is intended to reflect some of the external costs that are associated with the emission of greenhouse gases.

The level of €15-20 per tonne of carbon dioxide equivalent is based on the price level that was achieved on the market prior to the collapse of CO<sub>2</sub> prices in 2011. It is therefore in line with the price expectations for which market participants had to make allowance. In 2011, the German Federal Government was still assuming the medium-term CO<sub>2</sub> price would be €17 per tonne.

### **Re Paragraph 3**

Paragraph 3 will ensure that businesses do not suffer any unfair disadvantages in international competition as a result of the minimum CO<sub>2</sub> price. This is why businesses that receive free allowances to protect their competitiveness will also be exempt from the taxation on their free allowances. Otherwise, the minimum CO<sub>2</sub> price would negate the allocation of free allowances.

### **Re Paragraph 4**

This provision will govern the self-assessed tax return and the due date of the tax liability. The deadlines are intended to permit an unbureaucratic approach that will allow the self-assessed tax return to be submitted at the same time as the emissions report provided for in Section 5(1) of the TEHG and the tax to be paid when the emissions allowances are surrendered as provided for in Section 7(1) of the TEHG.

## **Re Section 12**

This provision will formulate in concrete terms the exemplary function of the German Federal Government and federal authorities in the field of climate protection. It will build on the German



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Federal Government's current voluntary climate protection commitment, which was most recently formulated in concrete terms in the Programme of Action for Sustainability adopted by the State Secretaries' Committee for Sustainable Development on 6 December 2010.

### **Re Paragraph 1**

The first sentence will formulate the principle of the German Federal Government's exemplary function in the field of climate protection. The second sentence will prescribe concrete climate protection targets for the German Federal Government in its area of jurisdiction. In this respect, the 50% target for 2020 set in 2005 when the German Federal Government adopted its voluntary commitment, which has already been almost fulfilled, will be raised to 60% and a climate protection target for 2030 enshrined in statute for the first time.

### **Re Paragraph 2**

Paragraph 2 will commit the Federation to draw up a long-term timetable for the energy efficient refurbishment of its buildings and facilities. The speed and scale of the refurbishment works will be prescribed by the targets set out in Paragraph 1.

### **Re Paragraph 3**

Paragraph 3 will commit the Federation to procure 100% ecopower. The exclusion of power that is already being funded through the EEG is intended to incentivise the installation of new regenerative generating capacities and so deliver an additional environmental benefit.

### **Re Paragraph 4**

The CO<sub>2</sub> limit values for vehicles set in Paragraph 4 will apply for passenger vehicles readily available on the market that serve primarily to meet pure mobility needs. Specialised vehicles such as Bundeswehr tactical vehicles, patrol cars or vehicles specially armoured for the purposes of VIP protection will be exempted from this provision, as will be buses and commercial vehicles.

## **Re Section 13**

Section 13 will set out definitions of terms.

## **Re Section 14**

This provision will govern the Act's entry into force.



**Annex 1 (Re Section 1) – Annual Climate Protection Targets for the Period to 2050**

<b>Year</b>	<b>Emissions reduction relative to historical reference year</b>	<b>Maximum annual greenhouse gas emissions (in thousand tonnes of CO<sub>2</sub> equivalent)</b>
2015	30.00%	872,485
2016	32.00%	847,557
2017	34.00%	822,629
2018	36.00%	797,700
2019	38.00%	772,772
2020	40.00%	747,844
2021	42.00%	722,916
2022	44.00%	697,988
2023	46.00%	673,060
2024	48.00%	648,132
2025	50.00%	623,204
2026	52.00%	598,275
2027	54.00%	573,347
2028	56.00%	548,419
2029	58.00%	523,491
2030	60.00%	498,563
2031	62.00%	473,635
2032	64.00%	448,707
2033	66.00%	423,778
2034	68.00%	398,850
2035	70.00%	373,922
2036	72.00%	348,994
2037	74.00%	324,066
2038	76.00%	299,138
2039	78.00%	274,210
2040	80.00%	249,281
2041	81.50%	230,585
2042	83.00%	211,889
2043	84.50%	193,193
2044	86.00%	174,497
2045	87.50%	155,801
2046	89.00%	137,105
2047	90.50%	118,409
2048	92.00%	99,713
2049	93.50%	81,016
2050	95.00%	62,320



**Annex 2 (Re Section 13(5)) – CO<sub>2</sub> Equivalents**

<b>One tonne</b>	<b>Corresponds to</b>
Methane (CH <sub>4</sub> )	21
Nitrous oxide (N <sub>2</sub> O),	310
Chlorofluorocarbons (CFCs)	11,700
Perfluorinated hydrocarbons	6,500
Sulphur hexafluoride (SF <sub>6</sub> ).	23,900
	<b>Tonnes of CO<sub>2</sub> equivalent</b>